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Regions Financial Corp. (RF)

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CORPORATE PARTICIPANTS

John M. Turner, Jr.
President, Chief Executive Officer & Director, Regions Financial Corp.

David J. Turner, Jr.
Chief Financial Officer & Senior Executive Vice President, Regions Financial Corp.

M. Deron Smithy
Executive Vice President & Treasurer, Regions Financial Corp.

MANAGEMENT DISCUSSION SECTION

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We're going to get started now. Up next, we're excited to have Regions Financial. Over the past year, Regions has navigated the rate environment better than most by layering on timely hedging and shifting its sensitivity away from short-term rates. In addition, it's continued to maintain top quartile expense discipline as it gets deeper into its Simplify and Grow initiatives. Here to tell us more about the strategy is President and CEO, John Turner. Also joining him on stage is Chief Financial Officer, David Turner; and Treasurer, Deron Smithy.

QUESTION AND ANSWER SECTION

Q

So, John, I was going to start off – as we think about the year ahead – I mean there's been a lot of different moving pieces in the environment in 2019 with rates going up and coming back down, concerns of recession and the like, how are you thinking about the year ahead for 2020?

John M. Turner, Jr.
President, Chief Executive Officer & Director, Regions Financial Corp.

A

It's certainly going to be a bit of a challenging year. I would say the interest rate environment poses some challenges, particularly with the flat environment we're in. Good news is our economy's still growing, softer than it was, but still growing. Our customers are optimistic about their businesses. I would say they're more cautious. We've seen some restraint in investment capital spending and so opportunities to grow loans have been impacted a bit, but in general businesses are doing well. The consumer is doing well in our markets. Probably most constraining factor on the economy in the part of the world we're in is job – availability of workforce, plenty of jobs available, but not workers to fill the jobs. And so, all in all, I think the economy is sound and so – and credit continues to while it's, I think slowly normalizing, credit is still pretty benign. And so those conditions are very favorable.

We think it will be challenging to grow [ph] NIR (00:02:00), but our hedging strategy protects net interest income to some extent and protects the margin. And we have good momentum, we believe, in growing non-interest revenue, our core businesses are growing, so things like debit card transaction fees, credit cards, service charges on accounts are growing because account – the numbers of accounts are growing across our businesses. Investments in wealth management and capital markets are paying off. So we'll see some growth in non-interest revenue. Expense control is good. We're continuing to make investments in technology and other things, but finding ways to reduce expenses and will going forward. We're committed to generate positive operating leverage. So while we acknowledge that 2020 will be a more challenging year, we're optimistic about the future, feel good about our plans and I think we'll execute them well.

Q

John, you talked about continuing to generate positive operating leverage. Can you maybe just dig in a little bit further what do you see as the key drivers of positive operating leverage in the year ahead?

John M. Turner, Jr.
President, Chief Executive Officer & Director, Regions Financial Corp.

A

Well, on the revenue side, of course, as I mentioned, and we expect to see some growth in NIR, so while revenue growth may be modest, we expect to at least help to mitigate the impact to NII through growth in NIR. And then on the expense side, 50% of our expenses are around people, 20% are FF&E, occupancy expenses and we'll continue to close branches as those opportunities arise, look for ways to impact vendor spend. We'll have reduced occupancy by about 700,000 square feet this year, 700,000 square feet last year. Majority of that is actually office space and not branches. You can imagine, over time, putting a lot of banks together, we've ended up with excess space. We have multiple operations centers. We've recently moved to consolidated data center, which will provide an opportunity for us. So there – we believe that there are multiple ways for us to reduce expenses. And I'll point back to Simplify and Grow, which we kicked off now almost two years ago. We've identified 67 specific revenue generating or expense save initiatives. By the end of this year, we will have completed 23 of those 67. So we would say we're only about a third of the way through the impact that we believe that we will see from either revenue growth or expense saves as a result of that work. And so that gives us, we think, the runway to generate positive operating leverage.

Q

Hey John, you just mentioned you've completed 16 of the 67 initiatives, and as you said there is a plan to finish another 7. As you look ahead, what are some of the major initiatives planned as part of Simplify and Grow for 2020, and how do they contribute to positive operating leverage?

John M. Turner, Jr.
President, Chief Executive Officer & Director, Regions Financial Corp.

A

We're real focused on how do we improve the customer experience through digital and just our overall technology platform. So whether we're working on our mobile banking app or we had teams that are focused on fully digitizing the consumer lending process, we think through process improvement, we both accelerate revenue growth and reduce expenses. And we have a plan to replace our core loan and deposit systems over the next five years. It's a plan our board has recently approved. We think we can do that within the context of our current technology spend, and the manpower that we allocate. We're actually very excited about that because with all the new technology, we think that it will allow us to impact the customer experience in a significant way and again dramatically reduce expenses. And we strive to transform the operating environment, operations of our business to be more exception based. So manual – think about 60% or so of operations processing will be automated over time, and 40% or less exception based, based upon our ability to use technology to intervene. So we think we can really transform the expense base of the company over the next three to five years and transform the way we operate improving the customer experience and driving efficiency down.

Q

Wanted to maybe shift gears and talk a little bit about loan growth. When you go out and talk to corporates with everything that's going on out there, trade, tariffs, the election cycle, what it means – what is sentiment like and are you seeing any meaningful change in your client's appetite to borrow and what does that mean for growth expectations for 2020?

John M. Turner, Jr.
President, Chief Executive Officer & Director, Regions Financial Corp.

A

[ph] Well, to start off, your (00:06:35) business sentiment is – businesses are optimistic but cautious. I think tariffs have had some impact. Volatility in the marketplace, the impending elections all are resulting in businesses being less willing to make significant investment. And then again the availability of labor has some impact on that as well. We've seen inventories come down through the course of the year and so as a result borrowings under lines of credit have also come down. Line utilization has been impacted in general. We've, I think, guided to low single digit loan growth and that's what we would anticipate on an adjusted basis. We do have some runoff portfolios as you know, particularly on the consumer side. We're actively managing our shared national credit book and tall tree risk and so not attempting to grow that. So there are some headwinds to growth, all of which though are grounded in our focus on risk-adjusted returns and getting, one, managing risk and, two, getting appropriate return on the capital that we allocate.

And so we're going to be careful. We're going to be cautious. We are long in the economic cycle. That doesn't mean we're headed to a recession but we do think it's time to be careful. And so what I tell our teams is we want to generate good business whether we're in an up or a down cycle. We stay focused on good clients and the right activities. Whether it's good time or bad, we think we ought to be growing our business with the economy and that's our plan.

David J. Turner, Jr.
Chief Financial Officer & Senior Executive Vice President, Regions Financial Corp.

A

Yeah, let me add a little bit to that in that, as we think about the hedging strategy that we set up little over two years ago, most of the derivatives that we put in place are for forward starting to start in January of 2020, to coincide with what we thought was going to be more accommodation coming from the Fed at that time. Of course, they started earlier than we had anticipated. But because we have that program in place, we don't have to push for loan growth to help protect NII. We do know there are some peers who want to push through the challenge from a rate – rate standpoint to have above-average loan growth. We don't have to do that. We set ourselves up so that we would just grow with the economy a little bit and plus a little bit to be able to have the NII profile that we care about.

Q

John, I wanted to spend a minute talking about technology. You talked about replacing your core loan and deposit system over the next years. I believe you guys are spending somewhere in the low to mid-600s on technology on an annual basis. So, I guess, a couple of questions, just one, where are the major investments being made across the company right now and when you think about scale relative to some of the larger institutions who are spending a lot more, where do you think you're outperforming those banks on the tech side and where do you think you need to do more?

John M. Turner, Jr.
President, Chief Executive Officer & Director, Regions Financial Corp.

A

Yeah. We will spend $625 million on technology this year and likely a similar amount next year. 48% of that will be to maintain our core operating platform and systems, 10% will be dedicated to cybersecurity and about 42% to new capabilities, new products, innovation. Great focus on data and analytics. If I look at where we probably are a bit deficient relative to our larger peers it would be in the use of data and analytics. Many of those banks have large card portfolios. They've been using data for a long time and as data and analytics have become more available, they've accelerated the use of that and how they market to customers.

And so if there's an area that we are investing fairly heavily in, it is in talent around data. We've hired a Chief Data Officer now about 15 months ago. He came out of telecommunications and has a deep background there and also in private equity related data type uses and we're excited about the work that he is doing. So we think that'll be important to us.

Artificial intelligence, and we've talked about before the use of AI in our call center, in our branches for our next best offer platform as two examples. We have, we think, opportunities to use AI to automate lots of our operational practices, whether it'd be BSA/AML and some of our loan processing to again transform the operations of the bank and to drive more processing to automation versus manual intervention and those are all things that we're spending a lot of time on in addition to impacting the customer experience, so mobile, consumer lending digitization, just online generally are all major investment platforms for us.

Q

David, you talked a little bit about the hedging strategy that Deron and his team put in place. I guess can you – one, can you remind everyone just what was done and what – given that the rate environment looks I'd say more stable at this point in time, what do you think this could mean for the net interest margin for the bank over time?

David J. Turner, Jr.
Chief Financial Officer & Senior Executive Vice President, Regions Financial Corp.

A

Yeah. I'll start and let Deron add to that. So, as I mentioned, a couple of years ago we were anticipating a slowing economy. To go back to our Investor Day, we had GDP expectations below 2%. This year, we think it's going to be 1.8%. I think can go down to 1.6% and then just above 1% after that. With that slowing economy, we had expected that the Fed was going to become more accommodative and reduce rates. And so we wanted to put some protection in because our deposit base, which is our competitive advantage, our deposit costs were lower than our peers and have been, and so to protect the margin, the reduction in deposit cost for us was going to be lower than it was for peers, so we needed to cover the margin protection through the use of derivatives. So, primarily interest rate swaps [indiscernible] (00:12:46) fixed swaps, some interest rate floors, those were set up before starting, as I said, for the most part January of 2020. As a result of that, we think, we're going to see a little bit of a dip in the margin in the fourth quarter because we didn't have the hedging profile in place for 2019. But what that means for next year when those do kick in that we can recover a little bit in the margin and be in that lower [ph] 3.40s (00:13:14) we think for 2020. So you actually see the margin improve a bit when we get to the first quarter.

M. Deron Smithy
Executive Vice President & Treasurer, Regions Financial Corp.

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Yeah. So, obviously, we've had a nice tailwind as rates have been rising over the last couple years. Obviously that goes away. Our goal with the program was just to reduce variability in net interest income and not have rates be a big driver one way or the other in terms of the margin and net interest income. And I think we've done a pretty good job of that. We still have some exposure to the shape of the curve as we – as we engage in new business activities over the course of the year. We've been more recently trying to hedge some of that as well. I think we're in the 40% to 50% hedged in relation to our exposure to the long end of the curve. We still have some modest exposure. A steeper curve is better for us but I think the real story is that rates will be roughly a non-story for us. What is rolling off the balance sheet, what's maturing, what's amortizing and what's coming back on in the form of a new business, at current rates, is roughly a push and so neutralized our exposure to the short end. Clearly a steeper curve is better for us but at current rate, is not a big driver going forward. So really the – the outlook for rate is less of a driver for us in growth in NII and the margin will be more driven by the business mix and how we grow the balance sheet.

David J. Turner, Jr.
Chief Financial Officer & Senior Executive Vice President, Regions Financial Corp.

A

To your last part, [indiscernible] (00:14:48) for a while from a rate standpoint. I still think you'll see deposit costs continuing to trickle down a bit over the next couple of quarters. Clearly with even a rate reduction later in the year, if that were to happen, gives us an opportunity to continue to bring our deposit costs down without sacrificing really NII given our hedge profile. So – but if it doesn't happen and we do you stay here for an extended period of time, we're okay with that. We just like [indiscernible] (00:15:16) to stay as close to 2% as we can get. We're in the 1.8% range, so little steepness would be helpful.

Q

Maybe just a follow-up on one of those comments that you made David that you guys were actually pretty successful in terms of the ability to bring down deposit costs in the third quarter and I think the expectation is for that to happen further. Can you maybe just talk about what you're seeing and then just as a follow-up to the comment you made that you'd expect deposit costs to continue to come down, anything differential between consumer relative to commercial in terms of your ability to bring down costs?

David J. Turner, Jr.
Chief Financial Officer & Senior Executive Vice President, Regions Financial Corp.

A

Yeah, I think we've done a good job. I think our teams have really done a good job of managing deposit cost on the consumer side. In particular, we have a whole committee that meets to ensure that we have proper rates established for all of our products, so that we're competitive in the marketplace but reactive to reality which is the fact that rates were coming down. On the business side, that's lagged a bit. We're going to undo the beta essentially that we experienced when rates were going up, so that'll take some time on the business service side, little slower. I think you'll see more impact coming from that – more contribution of the reduction in the deposit cost coming from business than you will on the consumer side. And I think piece of that was tying some of those rates that were – became index, so as Fed funds came down those would trigger rate reductions. And then some was just negotiated. So larger commercial customers are just one-on-one negotiation to reflect the economic reality. I think you add all that up and rates, deposit cost will trickle down over the next couple of months without any further change.

Q

John, you mentioned that and – net interest income is going to be hard to grow [ph] in the year of (00:17:09) hedges given the fact that the margin was higher in the beginning of the year and you were not trying to push too hard on growth, but if you think about it, the other 35% of revenues, is fee income...

John M. Turner, Jr.
President, Chief Executive Officer & Director, Regions Financial Corp.

A

Yeah.

Q

...which is obviously growing nicely. Mortgage has done well. Wealth and capital markets have shown nice growth over the past few years. So as we're sitting here today, where do you see the biggest opportunities to drive growth across fee income for the bank?

John M. Turner, Jr.
President, Chief Executive Officer & Director, Regions Financial Corp.

A

So, as I said, we're – because we're growing core checking accounts, we'll continue to see modest growth in just general service charges which is always positive. We're going to make investments in wealth management and capital markets, both places where we think we have real opportunity, both given our business mix and our footprint and customer base.

And mortgage is a business we like. We have a low-cost mortgage servicing platform. We think we do a good job with it. We've acquired mortgage servicing rights historically. Not a great time to do that today, but we'll stay focused there. We're hiring mortgage loan officers because in the markets that we serve, there is a lot of in-migration and so, housing activity, and we think that's a starter for building relationships with customers. So, those are all places we'll make investments and expect to see nice fee income growth in the future.

M. Deron Smithy
Executive Vice President & Treasurer, Regions Financial Corp.

A

I think one of the things on capital markets that we – headwind we had this year was really the CVA adjustment we had as rates came down. Our derivative book was marked. And those customers continue to pay, we should get our recovery in time there. But some of that also is our M&A business, which has a tendency to be a little more volatile. There are some deals that were pushed into 2020 from 2019. And so that's a – we've talked about that business being a $200 million business per year for us. We think we'll get back to that [indiscernible] (00:19:05) in 2020.

Q

Let us shift gears for a minute and talk about expenses. You mentioned before that you're looking to continue to hold the line on costs. I made a joke to you at dinner last night, feels like the entire time I've been covering the company, you've been holding costs flat. So, I guess, at this point, after so many years of cutting and repurposing, where are the areas that you're finding opportunity to cut costs or is it more just, as you said before, the bank is going through such a transformation that it's process improvement and it's all these different things that are driving it? Can you maybe talk about where you're finding incremental opportunities now to drive costs out?

John M. Turner, Jr.
President, Chief Executive Officer & Director, Regions Financial Corp.

A

Yeah. I think a couple places. I mean, one is, we are continuing to consolidate our branch footprint and exiting businesses and portfolios that aren't generating appropriate returns, and that's a discipline we've developed and a good exercise we go through that helps impact cost to be sure.

Additionally, as I mentioned, we've got a significant occupancy expense associated with facilities in many cases that we inherited through acquisitions from years ago and as we exit those things, we're able to reduce cost and we'll keep working on that. Oftentimes, you identify an opportunity, but it's harder to make it actionable quickly. And so we still have a number of opportunities. I talked about our Simplify and Grow initiative which we think is about a third complete. And so there are a lot of process improvement and/or revenue generating opportunities that will have an impact on both revenue and expense as your question is about expenses. But, I think that'll, through process improvement, just overall transformation, gives us a real chance to reduce numbers.

So we talked last night about the contact center as an example where we're using artificial intelligence to intercept calls that resulted in our being able to reallocate or reduce 55 FTE as an example and we are just getting started there. So, those are the kinds of things we'll be doing in the future.

Q

John, you talked about Simplify and Grow, and all the things that you've done across the bank, exit insurance, sold mortgages, exit GreenSky, indirect auto, but clearly a lot of things. What innings do you think [indiscernible] (00:21:23) in terms of the simplification of the bank, and is there more to do there as you look forward?

John M. Turner, Jr.
President, Chief Executive Officer & Director, Regions Financial Corp.

A

Yeah. As I said earlier, I think there's – we have a tremendous opportunity and the thing that we're excited about – oftentimes people talk about replacing their core systems. It's a daunting task and I'm not naïve enough to think that it won't be very challenging but at this stage and the development of technology, we think it gives us an opportunity to embrace the change, to embrace the transformation with technology developing as it is to change processes and embed those into new technology in a way that allows us to transform the back office, to improve the overall customer and banker experience, to make our processes more seamless, more frictionless and to really separate us as a regional bank that's using technology in a way that many of our peers will not do.

Q

I wanted to switch gears and talk a little bit about capital. Can you just startup maybe by reminding us what are the priorities?

David J. Turner, Jr.
Chief Financial Officer & Senior Executive Vice President, Regions Financial Corp.

A

Yeah. So, from our standpoint, we want to optimize our capital, common equity Tier 1 being the key measure at 9.5%. Just to remind everybody mathematically, the amount of capital we need to have based on the risk profile, as we measure it, and leverage CCAR is about 9%. So we've added 50 basis points of management cushion if you will to allow us to take advantage of opportunities, especially in the downturn should those opportunities arise. That would be making investments in loans that others might not be able to make because they have to conserve their capital. So we have that excess we're continuing to carry. What's important to us first and foremost to pay an appropriate – we think is an appropriate dividend. We've talked about 35% to 45% of our earnings being paid out in the form of the dividend. Second is we want to use our capital to grow, grow organically in particular. So we'll use a piece of that and we're going into a slowing economy, so there's only so much capital will be absorbed by that.

We also look for non-bank acquisitions, things that can bolster our product set or service set to continue to make offerings at our customers' desire, so we use a little bit of capital. Highland Associates would be an example of that. And then to keep our capital optimized at that 9.5% as the rest of that goes into share repurchases. So I think that order is important to us. We don't like to buy our stock back. But we also need to optimize capital and that's what we'll do if we can't put that to better use within the company. We have talked about bringing up capital from things that don't give us the appropriate return on our capital. We've gone through all of our businesses and continue to go through businesses and products to make sure that's the case. So it's all about optimization.

Q

David, one of the things that you mentioned was potential for some non-bank acquisitions, whether across fee income or even across the lending verticals. Can you talk about what your priorities would be there? I mean, last night, we talked about consumer direct as an example. What are you looking for in that space and how big would you be willing to acquire in that space?

David J. Turner, Jr.
Chief Financial Officer & Senior Executive Vice President, Regions Financial Corp.

A

Yeah, so, John's asked all of us, including the heads of our businesses, to be on the lookout for things that we may want to acquire again to help round out our product offering to our customers. So constantly looking at from a customer's vantage point, what do they need that we can provide? If we don't have it, can we acquire it? And so I'd say every one of the businesses are out there looking. You saw the Highland Associates in wealth management. You'll see more servicing rights in consumer. You'll see different product offerings in commercial that we're looking at and other things in consumer. So there's no one particular thing. It's really thinking at it from a customer standpoint and seeing what's out there.

Q

John, there's been a lot of disruption in the footprint from deals. Have you guys been able to take advantage of this?

John M. Turner, Jr.
President, Chief Executive Officer & Director, Regions Financial Corp.

A

Yeah. I would say there has been disruption. There'll continue to be as other transactions have been announced. We've – in the normal course of business, we've hired some bankers. We've opened branches in markets where there's been disruption. We've seen nice growth in those branches. We are out actively calling and winning business. I wouldn't point necessarily to that being so much a function of disruption. It is as it is just continually investing in the markets and focusing on growing and developing relationships.

Q

So recently when David spoke, the theme of M&A came out and I think the market would like to hear from you, John, in terms of your views on M&A, whether you're interested in doing things like low or no premium deals and just generally how do you think about traditional bank M&A at this point of cycle?

John M. Turner, Jr.
President, Chief Executive Officer & Director, Regions Financial Corp.

A

Yeah. Our views on bank M&A really haven't changed. Historically, the economics have not necessarily favored Regions. Some of the low premium, no premium deals certainly change a bit of our perspective about that. But we still believe that we have a very solid plan. And if we execute our plan, that we can deliver financial results that will be very meaningful to our shareholders. And if we do that, we believe then we will benefit. And as a result, our currency will be stronger and if we end up in an economic downturn or we have some other opportunity, we'll be positioned to potentially take advantage of that. But our focus needs to be on executing our plan, getting better at what we do, densifying our business and markets that we have a current presence in, continuing to build our business. We think there's a tremendous opportunity to get better just through better execution and continuous improvement and that's – that's really our focus.

Non-banking M&A has been important to us. It will continue to be important to us. David talked about some of the things that we like to do and we're actively looking at different opportunities across segments and I think that's where our primary focus will be.

Q

I guess just given your focus on densifying markets, the growth environment is slow, as I say you guys have been cutting costs for a long time, if the right, whether it's merger, equal or low premium acquisition came across, is it something that you would consider?

John M. Turner, Jr.
President, Chief Executive Officer & Director, Regions Financial Corp.

A

We have to always be open minded. I mean that's – we have that obligation, right? And we talk to our board about that. When you think about – ask about our aspirations, our intention, we're in 15 states today. We don't believe we need to expand our footprint. We need to get more dense in the markets that we're currently in. And so we have to be open to all the things that potentially come along. We consistently think about acquisition targets. That's part of what we should be doing, part of what our board challenges to do, but I would tell you the list is fairly short.

M&A is challenging. Got to have a right cultural fit, you got to have a right business fit, you need to know what you're acquiring and what you expect to accomplish and so we want to be very disciplined around acquisitions and use of capital, whether it's allocating capital to a business, whether it's buying a non-bank or entering into a non-bank transaction, entering a bank transaction, we've got to be really thoughtful about how we use our capital in every aspect, and we'll continue to do that.

Q

David, in terms of CECL, you noted \$500 million to \$600 million Day 1 increase, which is about 40 basis points of capital. Now that we've all kind of worked through the upfront hit, can you maybe just talk about the Day 2 impact particularly for growing on the consumer side? Does this change the way how you approach growth?

David J. Turner, Jr.
Chief Financial Officer & Senior Executive Vice President, Regions Financial Corp.

A

Yeah. So, I think everybody's starting to warm up to the fact that CECL is pretty punitive to assets that have a lot of duration that tends to manifest itself on the consumer side. But I think the industry is going to be learning a little bit this year in terms of what that might mean strategically to us – to us all. I think, if you just take mortgage as an asset class, we're going to be in the mortgage business and does it cause us to think about pricing or does it cause us to think about what we're going to retain on the balance sheet versus sell, we will. So, we have a lot. Obviously, Regions' financial won't change the pricing in the market for mortgages. So the whole industry has to gravitate around what that might mean. So this year will be a learning year. We have not changed our focus on continuing to grow and serve our customers and provide all the products and services we need. But I do think it's going to be interesting to see what Day 2 and the impacts of that really will mean.

We're going to be going into an environment that is still fairly strong economically. It's not a recession, it's just a slowing growth, but still growing. And so I don't think the delta between CECL and the incurred loss model we have today is going to be dramatic. It gets exacerbated when you forecast a downturn and that will be a bigger challenge for us all.

Q

And that's a question on credit, and then if there is a question from the audience, we could open up. So, John, you referenced all the way that you are seeing slow normalization inside the portfolio. We've seen some increases in criticized assets. I guess as you look across the portfolio, are there any pockets of concern emerging? And secondly are you seeing anything on the consumer side [indiscernible] (00:31:53)?

John M. Turner, Jr.
President, Chief Executive Officer & Director, Regions Financial Corp.

A

Yeah, not really anything on the consumer side that I would point to. On the business side, I think we have called out fast casual restaurant as being an area of some stress now for probably a year-and-a-half to two years. The energy sector feeling some stress as there's really an absence of capital coming back into that sector. And then manufacturing has been slowing since the spring. And as we've seen a little migration in the criticized and classified [ph] rumor (00:32:25), our levels of criticized and classified are at historically low levels, but as we've seen some migration in, it's largely been from energy related or manufacturing related credits primarily.

Q

Any questions from the audience? [indiscernible] (00:32:48) ask one more. So, at the Investor Day you laid out a handful of targets and then the rate environment collapsed against you. Can you maybe just talk about – while obviously delivering on some of these targets is going to be challenging over the three-year period, can you maybe just talk about what some of the levers that you have to try to at least approach these targets?

John M. Turner, Jr.
President, Chief Executive Officer & Director, Regions Financial Corp.

A

Yeah. That February meeting seems like years ago actually and maybe dog years anyway. I think we've just got to focus on our core business. And, as I said earlier, continuing to grow the business. We're trying to build a franchise that's consistently performing, that's sustainable, that's resilient and that means [indiscernible] (00:33:30) good times and bad, focusing on the right clients and right activities. And I think our teams are doing that.

We're making investments in markets we believe we can grow in, while protecting and what we think is the real value of our franchise and that's our very loyal low cost deposit base in our core markets, where by the way, we typically would have – about 70% of our deposits are in markets where we have top five market share. Coincidentally, 70% of our deposits are in markets where we don't have any meaningful money center bank competition. 86% of our deposits are in seven Southeastern states, many of which are – several of which are growing significantly, some of which are growing modestly, but are very stable and consistently performing. So it's that balance of core markets and growth markets that we think presents a lot of opportunity. And, again, we're excited about our technology investment and the opportunity we see ahead to transform the company and be a digitally enabled regional bank. I still think the business is going to be about people, it's going to be about talent, it's going to be about bankers [indiscernible] (00:34:42) business solutions to customers and so we're excited about the bankers we're able to recruit to our team and believe we can deliver really nice results.

Unverified Participant

Right. Well, please join me in thanking Regions.

John M. Turner, Jr.

President, Chief Executive Officer & Director, Regions Financial Corp.

Thank you.

David J. Turner, Jr.

Chief Financial Officer & Senior Executive Vice President, Regions Financial Corp.

Thanks.